

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Kinde Area Fire Board</b>	County <b>Huron</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>5/17/05</b>	Date Accountant Report Submitted to State: <b>6/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

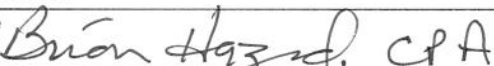
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Nietzke &amp; Faupel, PC</b>			
Street Address <b>7274 Hartley Street</b>	City <b>Pigeon</b>	State <b>MI</b>	ZIP <b>48755</b>
Accountant Signature 		Date <b>6/29/05</b>	

**KINDE AREA FIRE BOARD**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

# **KINDE AREA FIRE BOARD**

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## INDEPENDENT AUDITOR'S REPORT

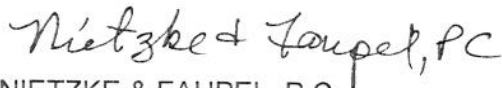
Kinde Area Fire Board  
Kinde, Michigan 48445

We have audited the accompanying financial statements of the business-type activities of the Kinde Area Fire Board, Kinde, Michigan, as of and for the year ended December 31, 2004, which comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kinde Area Fire Board, Kinde, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kinde Area Fire Board, Kinde, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

May 17, 2005

## KINDE AREA FIRE BOARD

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004

#### Introduction

The discussion and analysis of Kinde Area Fire Board's financial performance provides an overview of the Board's financial activities for the year ended December 31, 2004. This report is a part of the Board's Annual Report.

The purpose of the Board is to provide fire protection, emergency medical services, and other related services to Dwight, Lincoln, and Meade Townships. The funding and operation of the Board remains the same under the new agreement between the Board and the three Townships. The Board is overseen by the Governing Board which consists of a trustee from each Township or their appointed representatives. Charges to the Townships for services is the major source of funding for the Board. These charges are budgeted by the Board and then approved by the Board's Governing Board and each of the three Township councils.

#### Using the Annual Report

This annual report consists of a series of financial statements as follows:

- ▶ **The Statement of Net Assets** presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets.
- ▶ **The Statement of Revenue, Expenses and Changes in Net Assets** presents information showing how the Board's net assets changed during the most recent year. All changes in net assets are reported on an accrual basis, that is, the event is recorded in the accounting records when the underlying event takes place regardless of the timing of the related cash flows.
- ▶ **The Statement of Cash Flows** presents the financial activities of the Board on a cash received and cash paid basis. This statement also reconciles the change in cash accounts for the Board from the prior year to the current year.
- ▶ **Notes to the Financial Statements** provide additional details underlying the data provided in the financial statements.

#### Financial Highlights

The Statement of Net Assets outlines the assets, liabilities and net assets of the Board. The total assets decreased from \$202,020 in the prior year to \$183,404 in the current year, a decrease of \$18,616. The current year assets include:

Unrestricted current assets (cash, investments, and receivables)	\$ 68,806	37.52%
Capital Assets	<u>114,598</u>	<u>62.48%</u>
<b>Total Assets</b>	<b><u>\$183,404</u></b>	<b><u>100.00%</u></b>

## KINDE AREA FIRE BOARD

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004

The decrease in assets from the prior year were:

Unrestricted current assets (cash, investments, and receivable)	\$ 13,500
Capital Assets	<u>(32,116)</u>
<b>Total Decrease in Assets</b>	<b><u>\$(18,616)</u></b>

The total liabilities decreased from \$20,507 to \$2,211. This decrease is due to the Board making the final payment on the capital lease obligation for the purchase of a new fire truck. The only liabilities in the current year other than the accounts payable are payroll liabilities for the firefighters (\$1,275).

The change in net assets (\$320) as shown on the Statement of Revenues, Expenses, and Changes in Net Assets includes:

Operating loss (operating revenues less operating expenses)	\$(108)
Non-Operating Revenues/Expenses	<u>(212)</u>
<b>Change in net assets</b>	<b><u>\$(320)</u></b>

This change in net assets decreased the net assets from \$181,513 at the beginning of the year to \$181,193 at the end of the year. The total net assets includes \$114,598 for capital assets net of related debt, with the remainder amount \$66,595 unrestricted.

The Board realizes nearly all of its operating revenue is from two sources: charges for services to the three Townships and fire run fees. Charges for services in the amount of \$74,340 comprise 92.42% of the revenue while fire run fees in the amount of \$6,100 comprise the remaining 7.58%. Total operating revenue decreased by \$(1,881) or 2.29% from the prior year. The relative percentages for sources of revenue did not change significantly from one year to the next.

The largest expense is depreciation making up \$32,116 or 39.87% of the expenses. Insurance in the amount of \$18,719 represent 23.24% of the expenses. Personal services and materials makes up the remaining \$29,713 or 36.89% of the total expenses. Total operating expenses decreased \$5,221 or 6.07% from the prior year due to the decrease in insurance premiums.

## **KINDE AREA FIRE BOARD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004**

The non-operating revenue of the prior year was \$18,964 as compared to \$802 in the current year. The prior year included the proceeds from a FEMA Grant in the amount of \$17,910. Interest income was \$1,054 in the prior year compared to \$802 in the current year.

During the year 2004 there were no significant variations between the actual revenues and expenses and the budgeted revenues and expenses as approved by the Governing Board and each of the Township councils. The overall financial position of the Board has not significantly changed from the prior year as the agreement for services and funding between the Board and Townships has remained fundamentally the same.

#### **Requests for Information**

This financial report is designed to provide citizens of Dwight, Lincoln and Meade Townships with a general overview of the Board's finances and to show accountability for the funding it receives. Questions concerning any of the information in this report should be addressed to:

Dennis Wruble, President  
Kinde Area Fire Board  
Kinde, MI 48445

**KINDE AREA FIRE BOARD**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

**Current assets:**

Cash	\$ 66,856	
Accounts receivable	<u>1,950</u>	
Total current assets		\$ 68,806

**Non-current assets:**

**Capital assets:**

Building and improvements	109,824	
Equipment	307,651	
Accumulated depreciation	<u>(302,877)</u>	
Total capital assets, net of accumulated depreciation	<u>114,598</u>	
Total non-current assets		114,598

Total assets	<u>183,404</u>
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**Current liabilities:**

Accounts payable	936	
Accrued payroll taxes	<u>1,275</u>	
Total current liabilities		<u>2,211</u>

**Net assets:**

Investment in capital assets, net of related debt	114,598	
Unrestricted	<u>66,595</u>	
Total net assets		<u>\$ 181,193</u>



## KINDE AREA FIRE BOARD

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2004

#### OPERATING REVENUES:

Charges for services	\$ 74,340	
Fire run income	<u>6,100</u>	
Total operating revenue		\$ 80,440

#### OPERATING EXPENSES:

Advertising	12	
Audit fees	2,050	
Bank charges	35	
Depreciation	32,116	
Dues and memberships	167	
Fire board wages	1,000	
Gas and oil	271	
Insurance	18,719	
Mileage	244	
Office supplies	42	
Professional fees	1,630	
Repairs and maintenance	3,449	
Salaries	14,851	
Taxes - FICA	858	
Telephone	442	
Utilities	4,662	
Total operating expenses	<u>80,548</u>	
Operating (loss)		(108)

#### NON-OPERATING REVENUES (EXPENSES):

Interest income	802	
Interest expense	<u>(1,014)</u>	
Total non-operating (expenses)		<u>(212)</u>
Change in net assets		(320)

NET ASSETS AT JANUARY 1, 2004 181,513

NET ASSETS AT DECEMBER 31, 2004 \$ 181,193

**KINDE AREA FIRE BOARD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from townships for fire services	\$ 74,340
Cash received from others for fire services	5,550
Cash payments to employees	(15,851)
Cash payments to suppliers for materials and services	<u>(31,118)</u>
Net cash provided by operating activities	\$ 32,921

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Lease payment	<u>(20,773)</u>
Net cash (used) by capital and related financing activities	(20,773)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest income	<u>802</u>
Net cash provided by investing activities	802

Cash and cash investments at January 1, 2004	<u>53,906</u>
Cash and cash investments at December 31, 2004	<u>\$ 66,856</u>

**RECONCILIATION OF OPERATING (LOSS) TO NET  
CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating (loss)	\$ (108)
Add depreciation expense	32,116
Changes in current assets and current liabilities	
Decrease (increase) in current assets:	
Accounts receivable	(550)
Increase (decrease) in current liabilities:	
Accounts payable	188
Accrued payroll taxes	1,275
Net cash flows from operating activities	<u>\$ 32,921</u>

**KINDE AREA FIRE BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies are described below.

In June 1999, GASB unanimously approved Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Board has elected to implement the general provisions of the Statement in the current year.

**Reporting Entity**

The Kinde Area Fire Board is a jointly governed organization, located in the Village of Kinde, which provides fire protection services to participating townships. The Board has three participating townships; Dwight, Lincoln and Meade, which entered into an interlocal agreement pursuant to the Urban Cooperation Act (MCL 124.501) dated December 14, 1977. The Fire Board consists of seven voting members, two from each township and one from the Village of Kinde.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the funds of the Board. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Based on the criteria, there are no component units which should be included in the financial statements of the Kinde Area Fire Board.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The Fire Board is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

## KINDE AREA FIRE BOARD

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The utility follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

#### Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost of more than \$1,000. Capital assets of the Board are reported at cost or the fair market value at the time of contribution to the Board. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	Years
Buildings	30
Equipment	10

#### Property Taxes/Township Contributions

The 2003 taxable value of the Dwight, Lincoln and Meade townships were \$23,947,100; \$26,095,955; and \$25,715,710, respectively, on which ad valorem taxes of .9802, .9866 and .9773 mills, respectively, were levied for 2004 fire protection purposes. The total tax contribution from the townships of \$74,340 is recorded as revenue on Board records in and for the fiscal year ended December 31, 2004.

The townships collect property taxes levied on December 1 on the taxable valuation of property located in the townships as of the preceding December 31st. The townships transfer the taxes collected to the Board as each township's required contribution.

# KINDE AREA FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

### NOTE 2 - CASH DEPOSITS:

Deposits are carried at cost. Deposits of the Board are made in banks in the name of the Kinde Area Fire Board Treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the Board Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase. The Board's deposits are in accordance with statutory authority.

At December 31, 2004, the carrying amount of the Board's deposits was \$66,856 and the bank balance was \$67,561. Of the bank balance, \$67,561 was covered by federal depository insurance.

### NOTE 3 - CHANGES IN CAPITAL ASSETS:

	BALANCE DECEMBER 31, <u>2003</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	BALANCE DECEMBER 31, <u>2004</u>
<b>CAPITAL ASSETS:</b>				
Building and improvements	\$ 109,824			\$ 109,824
Equipment	<u>307,651</u>			<u>307,651</u>
<b>TOTAL CAPITAL ASSETS</b>	417,475			417,475
<b>Less: Accumulated depreciation</b>	<u>(270,761)</u>	\$ (32,116)		<u>(302,877)</u>
<b>NET CAPITAL ASSETS</b>	\$ <u>146,714</u>	\$ (32,116)		\$ <u>114,598</u>

### NOTE 4 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Kinde Area Fire Board for the year ended December 31, 2004:

	<u>LONG-TERM DEBT</u>
	<u>CAPITAL LEASE</u>
	<u>OBLIGATION</u>
<b>Balance, December 31, 2003</b>	\$19,759
Current year lease payment	<u>(19,759)</u>
<b>Balance, December 31, 2004</b>	\$ <u>0</u>

**KINDE AREA FIRE BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 4 – LONG-TERM DEBT: (CONTINUED)**

Details of the Kinde Area Fire Board's long-term debt as of December 31, 2004, are as follows:

Master lease-purchase agreement dated October 28, 1998 for the purchase of a Pierce Responder Fire Truck. The lease has an annual interest rate of 5.125% with annual payments of \$20,773. The lease matures on November 12, 2004.

**NOTE 5 - RISK MANAGEMENT:**

Significant losses are covered by commercial insurance for all major programs. For the year ended December 31, 2004, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.